

Message Text

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PARIS FOR OECD; BRUSSELS FOR EC

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SUBJECT: GOVERNMENT BAIL-OUT LAW INOPERABLE

REF: ROME 238

1. SUMMARY. DECREE LAW APPROVED BEFORE ANDREOTTI
GOVERNMENT RESIGNED IN DECEMBER TO HELP PRIVATE FIRMS
WAS RATIFIED BY PARLIAMENT ON FEBRUARY 23. HOWEVER,
DEADLINE ESTABLISHED FOR DECIDING WHICH FIRMS WERE
ELIGIBLE EXPIRED, FOR TECHNICAL REASONS, BEFORE DECISIONS
REACHED. END SUMMARY.

2. IN THE FINAL HOURS OF THE LAST GOVERNMENT, A DECREE
LAW (WHICH IS EFFECTIVE IMMEDIATELY BUT MUST BE RATIFIED
BY PARLIAMENT WITHIN 60 DAYS) WAS SENT TO PARLIAMENT
WHICH WOULD PROVIDE GOVERNMENT GUARANTEES FOR FINANCIAL
ASSISTANCE UP TO A TOTAL OF 300 BILLION LIRE FOR SOME
PRIVATE INDUSTRIES IN FINANCIAL DIFFICULTIES.

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3. THE ELIGIBILITY CRITERIA, LARGELY UNCHANGED IN
THE FINAL BILL, WERE LISTED AS FIRMS WHICH: A) ARE
OPERATING IN THE STEEL, PIG IRON, INDUSTRIAL
CHEMICALS, SYNTHETIC FIBERS, TEXTILES, AND READY-
MADE CLOTHING INDUSTRIES, WHICH ARE NOT CONTROLLED
BY EITHER STATE ENTERPRISES OR HOLDING COMPANIES, NOR

BY THE STATE SALVAGING COMPANY, GEPI; (B) HAVE OUTSTANDING CREDIT, DUE OR MATURING BEFORE DECEMBER 31, 1978, EXTENDED TO PUBLIC SECTOR ENTITIES; AND (C) HAVE FAILED TO MEET ALL PAYROLL OBLIGATIONS SINCE THE LAST QUARTER OF 1977, OR HAVE FAILED TO MEET PAYMENTS TO CONTRACTORS FOR INVESTMENT WORKS IN PROGRESS. THE ASSISTANCE OFFERED BY THE GOVERNMENT WOULD BE IN THE FORM OF GUARANTEES OF 12-MONTH COMMERCIAL LOANS AT INTEREST RATES EQUAL TO THE OFFICIAL DISCOUNT RATE PLUS ONE PERCENT COMMISSION.

4. AN AMENDMENT TO THE DECREE PASSED BY PARLIAMENT CHARGED THE INTERMINISTERIAL COMMITTEE FOR INDUSTRIAL POLICY (CIPI) WITH DETERMINING THE ELIGIBLE FIRMS BY FEBRUARY 28, 1978, ONLY THREE WORKING DAYS AFTER FINAL ACTION BY PARLIAMENT. ALSO, THE PHARMACEUTICAL INDUSTRY WAS DELETED FROM THE ORIGINAL LIST IN THE DECREE LAW, AND THE TEXTILE INDUSTRY WAS ADDED.

5. CIPI WAS TO HAVE MET, AS CHARGED BY PARLIAMENT, ON FEBRUARY 28 TO DECIDE ON THE FIRMS ELIGIBLE FOR THE GOVERNMENT GUARANTEES. HOWEVER, PARLIAMENTARY APPROVAL DOES NOT BECOME EFFECTIVE UNTIL THE APPROVED BILL IS PUBLISHED IN THE OFFICIAL GAZETTE, WHICH HAD NOT BEEN DONE BY THE DEADLINE DATE. CIPI WAS THEREFORE FORCED TO CANCEL ITS MEETING, AND NO FIRMS HAVE BEEN DETERMINED ELIGIBLE TO RECEIVE THE GUARANTEES.

6. COMMENT. THE ELIGIBILITY CRITERIA WERE EVIDENTLY SO UNCLASSIFIED

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NARROWLY AND STRICTLY DEFINED THAT FEW FIRMS FOUND THEMSELVES ELIGIBLE TO APPLY, OR WITH ADEQUATE TIME TO DOCUMENT THEIR CASE. REPORTEDLY, LESS THAN 100 BILLION LIRE IN GUARANTEES HAD BEEN APPLIED FOR FROM THE TIME THE DECREE WAS SENT TO PARLIAMENT UNTIL ITS APPROVAL ON FEBRUARY 23. ALSO, A LARGE PERCENTAGE OF THOSE APPLYING WERE ALLEGEDLY FROM THE PHARMACEUTICAL INDUSTRY, WHICH WAS ELIMINATED FROM THE ELIGIBILITY LIST BY PARLIAMENT. WITH FEBRUARY 28 SET AS A DEADLINE FOR CIPI TO DETERMINE WHICH FIRMS WOULD BE APPROVED, THE TEXTILE INDUSTRY, WHICH WAS ADDED TO THE LIST BY PARLIAMENT, HAD ONLY THREE WORKING DAYS IN WHICH TO SUBMIT APPLICATIONS. NOW, BECAUSE OF THE DELAY IN PUBLISHING THE APPROVED TEXT, THE DEADLINE HAS EXPIRED WITH NO DECISIONS MADE ON EVEN THOSE FEW ABLE TO APPLY. CURRENT SPECULATION IS THAT A NEW DECREE LAW WILL BE INTRODUCED WHICH WILL AT LEAST EXTEND THE DEADLINE, PERMITTING ELIGIBLE FIRMS IN THE TEXTILE INDUSTRY TO PREPARE THEIR CASES AND TIME FOR CIPI TO RENDER ITS DECISIONS. HOLMES

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